

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

**2335 EAST ATLANTIC BLVD.
SUITE 400
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
DECEMBER 21, 2009**

The Board of Trustees convened at the Pompano Beach Police and Firefighters' Pension Office, Pompano Beach, Florida. The Chairman called the meeting to order at 2:40 p.m.

PRESENT: Chairman Paul D. O'Connell
Vice Chairman Richard E. Avallone
Trustee Daniel M. Christophers
Trustee John P. DeVoe
Trustee Patrick S. Fletcher
Trustee Peter McGinnis
Trustee Richard H. Samolewicz

ABSENT: Trustee Sharra Aaronian
Trustee Ernest J. Lee, Jr.

ALSO PRESENT: Robert A. Sugarman, Esq. Board Attorney
Pedro Herrera, Esq. Sugarman & Susskind, P.A.
Retired Police Chief Gary Morton
Lindsay Dalton, Deputy Administrator
Brian Hall, Assistant to Deputy Administrator
Glenda Rowley, Future Deputy Administrator

VISITORS: Lynn-Ierna, Midgard Management
Collin Ross, BCOM

APPROVAL OF AGENDA

MOTION: To approve the Meeting Agenda of December 21, 2009.
PASSED 7-0.

	M O T I O N	S E C O N D	V O T E D Y E S	V O T E D N O
O'Connell			X	
Avallone	X		X	
Christophers			X	
DeVoe			X	
Fletcher		X	X	
McGinnis			X	
Samolewicz			X	

PRESENTATION BY NEW PORPERTY MANAGER LYNN-ANN IERNA, MIDGARD MANAGEMENT

Ms. Ierna is the Director of Property Management for Midgard Management, the new property manager for the Bank of America building. Midgard, a family business in Fort Lauderdale owned by James Goldstein, has been in business 40 years and Ms. Ierna has been with them for 20. The new Maintenance Manager is Rick Bordelon. Immediate improvements to the building were discussed.

Ms. Ierna spoke with the leasing agent regarding renting out space. The target market is the local market or small market. The strategy is to attract

local clients visiting the Bank of America. Midgard.com has the building on the website. She discussed the marketing campaign. Mr. Carroll will handle the construction management going forward. The elevator is being done by Schindler and they hope to be able to add an elevator without shutting the working one down. She was planning on replacing the lobby furniture. All vendors have been placed on Midgard's Management contracts and all Certificates of Insurance have been updated and collected. The budget is being reviewed by BCOM before Midgard finalizes it. She spoke about tenant retention. Ms. Ierna said the high density lot spacing is a big asset.

APPROVAL OF MINUTES

MOTION: To waive reading of the Minutes of March 25, 2009 Special Meeting on UBPA, and to approve same as submitted. PASSED 7-0.

O'Connell				X
Avallone	X			X
Christophers				X
DeVoe				X
Fletcher				X
McGinnis				X
Samolewicz		X		X

The minutes for the March 16, 2009 Regular Meeting were presented for approval. Trustee Christophers noted that a comment that appeared to be made by him at the meeting was actually submitted via email; he was absent at that meeting.

MOTION: To waive reading of the Minutes of the March 16, 2009 Regular Meeting and to approve same, as corrected. PASSED 7-0.

O'Connell				X
Avallone				X
Christophers				X
DeVoe		X		X
Fletcher				X
McGinnis				X
Samolewicz	X			X

MOTION: To waive reading of the Minutes of 2009 Annual Educational Symposium and the Quarterly Meeting on April 30, 2009, and to approve same, as submitted. PASSED 7-0.

O'Connell				X
Avallone				X
Christophers	X			X
DeVoe				X
Fletcher		X		X
McGinnis				X
Samolewicz				X

MOTION: To waive reading of the Minutes of May 18, 2009 Special Meeting on actuarial report by GRS, and to approve same, as submitted. PASSED 7-0.

O'Connell				X
Avallone	X			X
Christophers				X
DeVoe				X
Fletcher				X
McGinnis				X
Samolewicz		X		X

TRUSTEES	M	S	Y	N
O'Connell			X	
Avallone	X		X	
Christophers			X	
DeVoe			X	
Fletcher			X	
McGinnis			X	
Samolewicz		X	X	
O'Connell			X	
Avallone			X	
Christophers		X	X	
DeVoe			X	
Fletcher	X		X	
McGinnis			X	
Samolewicz			X	
O'Connell			X	
Avallone			X	
Christophers			X	
DeVoe		X	X	
Fletcher			X	
McGinnis			X	
Samolewicz	X		X	

MOTION: To waive reading of the Minutes of October 19, 2009 Regular Meeting and to approve same as corrected. **MOTION WAS TABLED PENDING ATTORNEY REVIEW.**

APPROVAL OF WARRANT NOS. 2990 THROUGH 2999

MOTION: To approve payment of bills set forth on Warrant Nos. 2990 through 2999 as follows:
No. 2990 \$12,600.62, No. 2991 \$63,960.53, No. 2992 \$7,803.80,
No. 2993 \$255.79, No. 2994 \$309.97, No. 2995 \$977.00, No. 2996 \$1,515.00
No. 2997 \$203.00, No. 2998 \$813.71 and No. 2999 \$3,840.00. PASSED 7-0.

(Detailed listing of Warrants is attached to Minutes)

APPLICATIONS FOR NORMAL RETIREMENT BENEFITS

MOTION: To approve application for Normal Retirement effective on 1/3/2010 for Lieutenant William E. Wesolowski. PASSED 7-0.

PROPOSED SCHEDULE OF BOARD MEETINGS FOR 2010

The Board reviewed the proposed schedule and decided to cancel the May meeting because of its close proximity to the April meeting, which will held at the Educational Symposium.

MOTION: To approve the proposed schedule for the Board of Trustees Meetings in 2010, as revised. PASSED 7-0.

UPDATE FORM CHARLES H. MULGINGER OF GRAYSTONE CONSULTING ON DISCUSSION WITH PLAN ACUTARY AND AUDITOR REGARDING VALUATION OF PROPOSED NEUBERGER BERMAN PRIVATE EQUITY INVESTMENT

Mr. Mulfingher reported that both the CPA (MarcumRachlin) and the actuary from GRS (Mr. Palmquist) were both comfortable with the valuation proposal of Neuberger Berman (NB). The NB back office could supply

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them with the appropriate valuation. Mr. Palmquist was comfortable with a liquidity standpoint as he compared it to the real estate holdings and its liquidity issue. NB has a back office of 150 personnel so it would not be a problem. Mr. Mulfinger said he is comfortable with a private equity venture but only at 2.5 . There is big discount in today's market.

Mr. Mulfinger reviewed the Investment Policy Statement (IPS) that was adopted August 17, 2009 and was effective October 9 2009. The target for P.E. would be at 2.5 . He stated that the language could be included in the IPS. Private Equity would be added in as a category and this would be available for the next meeting in January. He stated that the language is not needed in there for the asset allocation. The 2.5 to 5 needs to be changed in the guidelines. The process is to make the amendments in the Investment Guidelines and it needs to be sent to the City, State and Actuary and is effective after 31 days. The existing policy lists 0-5 so it is still in the range. Mr. Mulfinger said the description on the private equity does not need to be included in the IPS. This process can move forward.

Chairman O'Connell summarized the suggestions put forth by Mr. Mulfinger regarding the asset allocation. Lord Abbett would have 1.4 million dollars taken out, 75k added to Cornerstone, 9 million would be taken from Sands Capital, 220k taken from Voyageur, and approximately 465K taken from Wells Capital. Approximately 2.6 million would be added to Invesco International and 2.5 million would be added to Renaissance. Standish Mellon would have approximately 3.7 million added and Munder would have 2.4 million added. Mr. Mulfinger stated his firm felt that in the next 3-5 years there should be more International exposure. He stated the increase in fixed income would meet the firm's policy expectations which would be 25 .

Chairman O'Connell expressed concern with the advent of inflation and the effect on the bond portfolio. Mr. Mulfinger felt inflation would be low for the next few years. In three years inflation would have an impact on the bond market. He felt the bond market at that time would struggle and inflation would be an issue. The demand for credit is low right now. Short term wise inflation should not be an issue. The private equity investment would be coming from the fixed income. He discussed the asset allocation template while adding in the private equity and the effect it would have.

Mr. Mulfinger spoke of rebalancing the fund in accordance with the policy. The equity market would be a t 57.5 , the alternatives would be at 17.5 and the rest would be in the bonds at 25 . With the private equity included the alternative investment would increase to 20 and the equities would decrease to 55 . The private equity would be a combination of private and public equity. Mr. Mulfinger said the advantage with NB is their accounting and it is a Fund to Funds. He stated there is nothing wrong in looking at other private equity offerings. NB does have that diversity and has a history of at least 20 years. The Fund would be looking at the program that is open at the time. NB reviews all the underlying managers. He did state that all the fees for private equities are high. The Fund is reviewed and rebalanced every quarter if needed but approval needs to take place and this needs to

be reflected in the minutes.

Mr. Mulfinger recommended that the Fund consider the private equity as an alternative investment and NB would be a good choice to consider. If the Board is comfortable with the 2.5% exposure, then he recommended that the policy reflect that change even though the current policy allows this investment. This would be contingent on Mr. Sugarman's firm being comfortable with the contract that needs to be drawn up. He stated from a liquidity standpoint we were fine. This would be Mr. Mulfinger's first public pension fund to enter the private equity market. Trustee DeVoe questioned if we would be deficient without the private equity in the account. Mr. Mulfinger stated that it would allow more diversity and the potential to get a liquidity premium. He said the State of Florida has done this for years in the state pool as well as the major college endowments. This is done through investments directly and in fund to funds.

Mr. Sugarman stated that Mr. Mulfinger was just making a recommendation and if the Board did not like the risk factor, the liquidity or the fees they could vote against this. The Board can vote either way depending on whether they are comfortable. Mr. Mulfinger agreed. He felt there was an opportunity because of the secondary market trying to raise liquidity and having to sell off their private equity investment. They were selling off at what he felt was a discount. He indicated that this does not mean the Fund has to do this. He felt the timing was good now. He feels NB will be flexible in trying to get this contract done. Their accounting firm allows more transparency. It is not the same as the Hedge Funds. NB track record is strong and they are a well known company. The private equity has more risk and more volatility and gives you more diversity. The expectations would be for a higher return. The returns would be on a J curve and you would look at a 3, 5, or 10 year period.

MOTION: To rebalance the portfolio according to the asset allocation template from December 17 prepared by the Investment Consultant from Graystone. Adding to this under alternative investments is 2.5% maximum allocation to the private equity investment which will be attempted through Neuberger Berman (NB) on condition of the policy change being implemented and then the contract being approved by the legal team. PASSED 7-0.

Mr. Mulfinger stated that the policy targets can be changed after the private equity is entered into. He recommended that the rebalancing take place now. Mr. Sugarman recommended that in order to help the negotiations with NB go off in a timely fashion a deadline of January 15th would be in place to finish the contract signed, sealed and delivered otherwise a new provider would be looked at. This is the consensus of the Board.

Trustee Christophers asked about the fees; Mr. Mulfinger stated that the fees were already negotiated with NB.

O'Connell				X
Avallone				X
Christophers	X			X
DeVoe				X
Fletcher		X		X
McGinnis				X
Samolewicz				X

PROPOSED REVISIONS TO ADDENDUM TO STATEMENT FOR INVESTMENT POLICY FOR DROP ACCOUNTS

MOTION: To approve and adopt changes to the addendum and to the Statement of Investment Policy for DROP account based on the recommendations of the Investment Consultant.

O'Connell			X	
Avallone	X		X	
Christophers			X	
DeVoe			X	
Fletcher		X	X	
McGinnis			X	
Samolewicz			X	

Ms. Dalton stated that the effective date is 31 calendar days following filing with the City, Department of Management Services and Actuary. This will be done on December 23. Mr. Sugarman said this does not need to be codified. Mr. Mulfinger needs to clarify how the DROP earnings may not be accurate. An asterisk will be included on the summary. For private equity there is a lag in knowing the performance. This needs to be brought up at the February meeting when Mr. Mulfinger gives his quarterly review. There is a delayed valuation. For the DROP participants the return is based on the most reliable number.

The Voyageur name change will be RBC Asset Global Management, Inc.

SUGARMAN & SUSSKIND, PA

Mr. Sugarman gave an update on the Samuel Sirico case. Nothing is due from the lawyers until February 11th, 2010, unless they file motions by January 11th. He is trying to set up a teleconference with them this coming Friday. This is being done at the Chairman's initiative.

Mr. Sugarman stated that they have prepared a consent letter for the DROP loan program in order to get BSO to sign off on it. It refers to the Internal Revenue code and the need to be in compliance. This will allow the Union and BSO to know what they are buying into. The letter from GRS stating there is no actuarial impact is included.

Chairman O'Connell stated the City position is that the Loan program is a benefit that needs to be negotiated. The waiver and consent needs to be signed by the Union and BSO and then presented to the City. The Waiver and Consent of bargaining for the Police DROP loans was presented. This would be presented to the new City Manager and the City attorney.

Mr. Herrera reported on Washington Mutual securities litigation case. This was all filed last Friday. Minutes were reviewed for the March Special and Regular Board Meetings and the Educational Symposium. The Bank of America property management agreement with Midgard Management was reviewed. He brought up the Johns vs. Johns divorce case and how they provided Mrs. Johns attorney with the election benefits form and a copy of the ordinance governing the pensions. The divorce kit was also sent.

The portfolio monitoring reports from Coughlin Stoia and Spector Rosen was included in the packages. There were no new recommendations from these firms but they are working on some potential cases.

Mr. Sugarman stated that the hosts for the Holiday Dinner were Coughlin Stoia and BCOM. The topic of a 501-C regarding the pension fund was brought up. This can be set up as a charity but there is a need to find out where the money or donations may be coming from. The concern is whether it will be beneficial considering the administrative costs.

COMMITTEE REORTS

Building Committee: The Notice of Penalty Waiver was going to be clarified by BCOM. The Schindler Elevator Corporation and certificate of payment was presented. This check must be signed by two Trustees because it is over 50K. Trustee Avallone discussed the elevator status. The November property management report was presented. The appraisal of the BOA building was presented. Trustee Christopher suggested that BCOM come to the next board meeting regarding the building. Chairman O'Connell stated that he and Mr. St. Romain visited the CRA meeting regarding the BOA building. There is an attempt to get applications for CRA grant money to help fund some of the needs of the building. BCOM would summarize what went on in that meeting.

Professional Advisors Review Committee: Trustee Samolewicz had some points to bring forth regarding Mr. Sugarman's proposal on his request for an increase in his legal fees. He reported on the market outlook for legal fees. The Chairman reported on the RFP request that was proposed at the last meeting. It was up to the Board to see if they wanted to look at a RFP for attorneys.

Trustee Samolewicz stated that he performed a market search with five law firms under the condition of anonymity. The hourly pricing for them ranged from \$175 to \$195, \$200 to \$250, \$235-250 up to 20 hours, and \$285 to \$300. Retainers were discussed on a monthly basis. Two of the firms quoted \$5,000 per month. Mr. Sugarman stated that his firm's average hours were 31.2 in 2008 and 35.44 in 2009. He felt the trend was going up. Based on these hours, he earned \$57.70 per hour. The going rate for his firm is \$300 an hour, which he feels is reasonable. However, if the Board saw \$250 an hour as reasonable that would be fine with him. The amount comes to around \$7,500 a month to \$8,500 a month. The Boca Raton fees increased from \$4,500 to \$5,500 a month but they are a smaller plan with less work being done.

Mr. Sugarman gave a breakdown on the hours spent on new investments, time spent on innovative investments, forfeitures, and losses on security losses. He spoke of a 5 hour cap on forfeitures and new investments. He stated that some of the fees could be paid for by the building. All they want is to be paid for their time. The hourly fees are low. They are looking for a

minimum 2 year contract. The current fees had been in effect for 7 years. Boca Raton's past fees were ongoing for a five year period. Mr. Sugarman stated they had received compensation by some of the security cases over the years. Fund to funds were charged separately. He stated that new investment contracts were being knocked off in about three hours.

Chairman O'Connell suggested that this can be sent back to the committee for review. Mr. Sugarman recommended a payment of \$7,500 for 2010 and \$8,500 for 2011 with a 5 hour cap. In light of the fact that two members of the Board were missing the committee can come back with recommendations to the Board. Trustee DeVoe was ready to make a motion to accept Mr. Sugarman's proposal.

MOTION: To accept Mr. Sugarman's proposal of \$7,500 for 2010 and \$8,500 for 2011 with a 5 hour cap for new investment contracts. **MOTION WAS WITHDRAWN.**

O'Connell
Avallone
Christophers
DeVoe
Fletcher
McGinnis
Samolewicz

X

X

Trustee Christophers inquired what the rush was. Trustee Avallone, McGinnis and Samolewicz agreed and wanted this item to go to the committee and then come back to the full board for a full vote. More information should be forthcoming. The RFP directive from the last meeting would need to be rescinded since it was in the form of a motion.

MOTION: To reconsider the RFP for legal services that is on the table from the last Board meeting. **PASSED 7-0.**

O'Connell
Avallone
Christophers
DeVoe
Fletcher
McGinnis
Samolewicz

X
X
X
X
X
X
X

The Motion to consider the RFP for legal services that was brought up by Trustee Samolewicz and seconded by Trustee Christophers has been withdrawn by both parties. A committee meeting will be set in January to discuss this item.

DEPUTY ADMINISTRATORS REPORT

Ms. Dalton reported on a new name for Tegrity. It is now known as Tegrity Administrators as opposed to Tegrity Plan Administrators or Omega. There is a proposal for Voltech computer support and maintenance agreement. There is a need to replace the computer for the new Deputy Administrator. The Board would need to designate a new records management liaison officer to replace Lindsay Dalton. The report is filed before Glenda Rowley

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<p>comes on Board but will include her from February on. The City has requested an experience study, actuarial impact statements, and audited financial statements from 2002 through 2007. The actuarial reports for 2003 through 2008 were e-mailed. The active participant date for Firefighters was also included as was the quarterly summary of assets as of 9/30/09. She stated that a signed copy of the latest ordinance, for the lump sum payment for FY 2008/2009 in the definition of earnings and the codification of the DROP, was included in the agenda backup.</p>						
<p><u>OLD BUSINESS</u></p>						
<p>Chairman O'Connell reported that the status for the proposed ordinance relating to overtime for Police Officers is still in limbo at BSO. There was nothing to report on the proposed ordinance relating to the plan qualification. Ms. Dalton inquired about the Plan Requalification. Mr. Sugarman reported that next year opens up whether we need to get re-qualified. This will happen in February, 2010. The IRS is still looking at the plan. That will give the Plan until February, 2011 to do it. Mr. Sugarman stated he would be attending the Pension Attorney's Conference in June, 2010. A decision will be made then. Ms. Dalton will get the Ice Miller fees from GERS.</p>						
<p>Ms. Dalton reported on the duties of Voltech. There is remote maintenance on the server. The hourly rate is \$100 per hour and there are bundles that can be packaged. The duties are included in the agreement.</p>						
<p>MOTION: To approve the computer support and maintenance agreement with Voltech, Inc. PASSED 7-0.</p>	<p>O'Connell Avallone Christophers DeVoe Fletcher McGinnis Samolewicz</p>	<p>X</p>	<p>X</p>	<p>X X X X X X</p>	<p>X X X X X X</p>	
<p>MOTION: To approve the computer replacement for the new Deputy Administrator. PASSED 7-0.</p>	<p>O'Connell Avallone Christophers DeVoe Fletcher McGinnis Samolewicz</p>	<p>X</p>	<p>X</p>	<p>X X X X X X</p>	<p>X X X X X X</p>	
<p><u>MISCELLANEOUS</u></p>						
<p>Mr. Sugarman reviewed the memorandum from the State of Florida on the Code of Ethics and Gifts. This memo is to be sent to all Trustees. Standish Mellon's letter addressed a guideline violation. Chairman O'Connell brought up Ms. Daltons retirement dinner. He mentioned the hiring of the</p>						

